



August 9, 2012

Dear Citizens:

I respectfully transmit the budget for the City of Rio Rancho for the fiscal year July 1, 2012 through June 30, 2013. There is a lot to be optimistic about as our community and our City government move beyond the economic downturn. Jobs continue to be added in our region and housing markets appear to be stabilizing. Two new hospitals opened their doors and with those openings we have added over 2,000 jobs to the City between 2009 and 2012. The Governing Body has worked hard to shore up the General Fund ending fund balance, and continues to focus on increasing the recurring revenue base through the attraction of needed retail businesses and economic base jobs into our community. Our future is bright.

We have worked hard to balance the budget throughout this national economic crisis and have achieved that goal without having to lay off employees and at the same time added position to our Police and Fire/Rescue departments. I am very proud of that. As the City continues to find ways to reduce expenditures and operate more efficiently, FY13 city expenditures are almost one percent lower (-0.8 percent) compared to Fiscal Year 2012.

Using non-recurring revenue, the Budget includes resources for critical areas. This includes 14 new police vehicles, additional police officer training, a new animal control truck, a new rescue ambulance, a new cardiac defibrillator, and funding for the City's graphical information system.

We estimate that the General Fund reserve fund balance will meet the 1/12th (approximately 8.33 percent) of expenditures, as required by the State of New Mexico, and provide a total ending fund balance of 13.6 percent, which is moving closer to our long-term target of 15 percent.

As outlined in the City's Strategic Plan, our vision is to be a diverse, sustainable, family-friendly community that is safe, vibrant and attractive to residents, businesses and visitors. I believe we are making significant progress in these areas with the opening of the new University of New

Mexico and Central New Mexico Community College campuses (opened in 2010), the opening of two state-of-the-art hospitals, a new movie theater, and rapidly expanding retail and restaurant options to serve our community.

In summary, it has been a difficult few years due to the economic recession. However, I believe that we are beginning to see the light at the end of the tunnel and truly believe that our community will emerge as a stronger, more resilient community. I want to thank the City Council for continuing to make fiscal sustainability a high priority along with public safety and quality of life. By doing this, the City will be able to continue to address the strategic priorities of our community over the long term. I want to acknowledge all of the City staff for their tireless efforts to bring the best public services possible to the residents of the community. On behalf of the Rio Rancho Governing Body and the employees of the City of Rio Rancho, I thank all of the residents and community stakeholders for their support of our great City.

Sincerely,

Thomas E. Swisstack, Mayor

Thenow & Sprintack



August 9, 2012

The Honorable Mayor and City Councilors City of Rio Rancho 3200 Civic Center Circle NE Rio Rancho, New Mexico 87144-4501

Dear Mayor and City Councilors:

In compliance with the City Charter and applicable state statute, I am submitting the Comprehensive City Budget Adopted for Fiscal Year 2013 (FY13).

The City has been focused on building a sustainable budget over the past couple of years, as achieving sustainability is an ongoing effort. I am proud to report that for the first time in at least three years we are projecting a balanced General Fund five year financial plan and the City's ending fund balance as a percent of total expenditures is approximately 13.6 percent, approaching our target balance of 15 percent. These are two major steps to achieving a sustainable budget. Two additional milestones are expected to occur in Fiscal Year 2015 and 2016 when recurring revenues exceed recurring expenditures and the ending fund balance exceeds the 15 percent target.

This year's budget reflects a local economy that is climbing out of an economic recession that has plagued our country over the last three years. Various signs suggest that the recovery is gaining momentum, including a steadily declining unemployment rate, stabilizing City revenues, and a trend of lower foreclosures in the area compared to recent years. Hard budget choices made by the Governing Body have set the City on a path and a way of thinking that establishes a solid foundation from which to further the City's Strategic Goals. In addition to long-term planning, prioritization plays a big role in achieving sustainability. The City must continue to evaluate all City services and to focus resources on the City's highest priority areas.

In developing the Budget, our Department Directors have continued to look for ways to reduce expenditures. Examples of cost savings initiatives include:

- Rebidding contracts, which we expect to provide significant savings this year;
- Monitoring opportunities to refund existing debt at lower interest rates;
- Requiring higher cost office supplies be substituted with the lowest cost items;
- Identifying City parks where turf can be replaced with lower cost landscaping;
- Pooling cell phone minutes and moving from the State to Federal Contract; and
- Continuing to find savings in areas such as custodial supplies, fuel, printing, etc.

In reviewing the City Department funding requests, I tried to prioritize these needs based on the City's Strategic Goals of:

- Public Safety;
- Infrastructure:
- Development;
- Fiscal Health; and
- Government Services

Local Economy

When looking at the local economy, the number one factor to consider is jobs. Employment growth in the Albuquerque Metro Areas is expected to exceed one percent during the first half of Fiscal Year 2013 and to average 1.3 percent for the full fiscal year. Job growth is anticipated in healthcare, manufacturing, wholesale trade, retail and utilities. Construction and government employment is expected to decline modestly. Over the five-year outlook, annual employment growth in this region is expected to range from 1.3 to 2.1 percent, according to the Bureau of Business and Economic Research March Forecast.

Since its inception thirty years ago, our City has been a leader in single family housing construction. While housing construction has allowed us to grow to the third largest city in New Mexico in that time, it has not come without a cost, which we have felt these past five years. If nothing else, the recession has taught us that reliance on housing construction for budget sustainability is not a solid strategy. Given the risks inherent in housing construction, which can fluctuate dramatically, it is more important than ever to continue our push for more economic diversification. Diversification will not occur overnight but our efforts to attract retail and service businesses is now beginning to be rewarded. As a result, though this budget is based on a much lower level of housing construction than the historic trend, we are able to provide employees with a small raise.

Expenditure Highlights

Overall, City Departments were instructed to keep their budgets at the Fiscal Year 2012 levels, except as necessary to address the highest priority needs. Using additional expenditure savings and non-recurring revenue, the Budget includes additional funding for critical areas that have been under funded in recent years. This includes 14 new police vehicles, additional police officer training, a new animal control truck, a rescue ambulance, a cardiac defibrillator, funding for the City's graphical information system, and other small capital needs that can no longer wait to be funded.

The Budget also incorporates a modest pay increase to the City's number one asset, our employees. City employees have sustained pay cuts (through furloughs) and have foregone raises over recent years at a time when the cost of living continues to increase. The Budget includes a two percent recurring salary increase. The Budget does not include any tax increases.

General Fund

REVENUES: \$50,445,613

Total General Fund budgeted revenues (excluding transfers in from other funds) are projected to decrease by 0.4 percent compared to FY12 budgeted revenues. Anticipated decreases in GRT revenue due to declining construction activity is offset by increases in property taxes, franchise fees, and public safety fees. The beginning fund balance is estimated to be \$9,437,971.

The City's single most important revenue source is the gross receipts tax (GRT). The GRT revenue estimate of \$24,296,803 (including recurring and non-recurring estimates) accounts for approximately 48 percent of the total FY13 General Fund operating revenues. The GRT distribution to the General Fund is projected to decrease \$1.17 million or 4.6 percent from FY12 levels. As noted above, growth in most GRT sectors is offset by the significant decline in one-time construction activity associated with the two new hospitals built in the City.

Property tax revenue, the second-largest revenue source, is estimated to increase 4.5 percent from FY12 levels, with an estimated increase of \$557,094. The property tax revenue forecast utilizes a Yield Control Formula, as established by State Statute. The FY13 revenue estimate incorporates housing permits and known non-residential construction activity to establish the construction growth factor. The estimate assumes an inflation factor of four percent (based on Bureau of Economic Analysis data) for a total growth factor of just under five percent. This total growth factor is applied to the previous year tax effort (current taxes imposed).

Franchise fees, the third largest revenue source, are projected to increase by 13 percent or by \$426,950 over the current year. The majority of the anticipated increase relates to electricity revenue projections. Other major changes to revenue estimates include a \$225,749 increase in public safety fees, and a \$207,297 decrease in reimbursement revenue, reflecting a significant decrease in reimbursement in wild land fire revenue. The wild land revenue was increased in the FY12 mid-year budget by \$250,000 due to the large number of fires in the prior year.

TRANSFERS INTO GENERAL FUND: \$300

Transfers from special funds to the General Fund support operating activities. This year's transfer represents administrative fees related to donations to the Rio Rancho Economic Development Fund through the building division.

EXPENDITURES: \$51,995,922

The Budget includes a slight decrease in General Fund expenditures of 1.4 percent.

Personal Services: \$40,389,091

Personal Services expenditures account for 78 percent of the General Fund operating budget. In the Budget, Personal Services expenditures increase one percent or \$377,305. The primary factor contributing to the increase is the two percent increase in salaries. Significant personnel savings continue to be factored into the budget based on the average vacancy rate for all City positions. Due to accumulated fund balances in the healthcare and dental plans, an increase in premiums is not required for healthcare and only a one percent increase is required for dental in FY13.

The City will continue to plan for an increasing number of retirees and estimates that 29 employees will be eligible for retirement in FY13 based on City credits alone. The FY13 Budget includes an amount to cover the estimated cash payout or the cost of terminal leave for approximately 16 employees, based on the historical relationship between those eligible and those that actually retire. However, this number is difficult to estimate due to service credits earned in other participating organizations.

Material and Services: \$11,523,926

Materials and Services expenditures decrease by \$922,197 or 7.4 percent compared to the FY12 budgeted expenditures. The decrease is due to savings in various Departments, including a reduction in the subsidy to the Santa Ana Star Center due to an improved operations outlook, a reduction in the City Clerk budget reflecting a non-election year, and a significant decline in General Fund expenditures by the Library due to the availability of bond funding. The Budget also continues to reflect overall reductions in various spending areas, including supplies and conference, travel and training line items.

Capital Outlay: \$82,905

General Fund Capital Outlay includes funding for a court computer server (\$6,000), a circulation pump for Rainbow Pool (\$8,000), a tire changer (\$17,495), a Public Works plotter (\$6,010), a Graphical Information System Tocon Unit (\$8,400), a Cardiac Defibrillator (\$27,000), a software upgrade for the Comprehensive Annual Financial Report (\$10,000).

TRANSFERS TO SPECIAL FUNDS: \$793,528

Transfers provide General Fund dollars to special funds to support various activities such as:

Law Enforcement Fund \$ 362,084

This transfer is funding 12 of the 14 police vehicles being purchased by the City in FY13. A portion of the transferred amount will be dedicated to fund the first three debt service payments (\$216,084) on a vehicle loan. Additionally, \$146,000 will be transferred to cash fund police vehicles and equipment outright.

<u>Local Government Correction Fund</u> \$76,200

This transfer is made to pay for the City's cost of prisoners at the County detention center that are not covered by the correctional fees through the Court.

Promotion and Marketing Fund \$120,687

This transfer is made to provide funding for Special Events managed by the Convention

and Visitors Bureau, including the City's annual Pork and Brew event.

Crime Victims Assistance Grant

\$7,611

This transfer is made to provide the required City's matching funds for this grant.

Computer Replacement Fund

\$34,813

This transfer is made to fund the purchase of police vehicle computers.

Conventions and Visitors Bureau

\$25,096

This transfer is to fund travel and tourism promotion to generate economic impact in Rio Rancho through events, activities and efforts of the Conventions and Visitors Bureau.

Equipment Replacement Fund

\$167,037

This transfer will provide partial funding for an Animal Control vehicle (\$22,037), for Park and Facilities a Batwing Mower (35,000) and partially fund an ambulance (\$110,000). The remainder of the ambulance will be funded by grant funds and the remainder of the Animal Control vehicle will be funded with Equipment Replacement Fund balances.

ENDING FUND BALANCE:

\$7,094,434

The Reserved General Fund Ending Fund Balance is \$4,332,994, which meets the state reserve requirement of 8.3 percent of General Fund expenditures. The Unreserved Ending Fund Balance is \$2,761,441, for a total Ending Fund Balance of \$7,094,434, or 13.6 percent of expenditures. The long-term policy target for the Ending Fund Balance is fifteen percent. By definition, the Ending Fund Balance builds up in good economic times, is drawn down in bad economic times, and the City has been very focused on building these reserves back up to these levels.

SPECIAL FUNDS:

Special funds are established to account for revenue sources that fund particular functions or projects. A complete list of all special fund activities can be found in the Special Fund section. Following is a list of special funds that include significant activities:

Recreation Activities Fund

This self-funding program provides for adult softball, adult recreation programs, classes, and van trips supported by revenues of \$304,488. The expenditures in this fund support adult sports and produces sufficient revenues to fund two employees minimizing the General Fund subsidy to Adult Sports.

Workers Compensation Fund

This fund is to account for revenues from other funds to fund workers compensation insurance and claims administered by the New Mexico Self Insurance Fund. The FY13 budgeted expenditures increased by \$303,378 due to an increase in outstanding claims and an increase in anticipated claims in FY13. The City continues to make safety training and awareness an important aspect of day to day operations in order to minimize injuries.

Library State/County Bond Fund

The source of budgeted revenues comes from State Library Bonds and County Library Bonds. The budgeted revenue for FY13 is estimated at \$511,094. Major expenditures include \$325,000 for books, \$50,000 for minor equipment, \$53,195 in memberships and subscriptions for both Loma Colorado and Esther Bone Libraries. [NEEDS UPDATING]

Promotions and Marketing Fund

The sources of FY13 revenue for this fund come from event income as well as the General Fund. Most of the budgeted Materials and Services budget is for the Pork and Brew community event scheduled this year during the Fourth of July weekend. Event expenditures decreased in FY13 by \$110,233 because expenditures in FY12 were for more than one annual event (included a portion of July 2011 as well as the July 2012 event). Beginning in FY13 and going forward, the budget is for one annual event.

Rio Vision Fund

The Rio Vision fund accounts for 40 percent of the cable franchise fees (2 percent) received to operate and promote a government and education television channel. Funding for public access is funded through this fund. Franchise fee revenues have steadily decreased in this fund due to the increasing growth in satellite and dish competition.

Local Government Correction Fund

Correction fees are received for guilty pleas budgeted at approximately \$200,000. Expenditures from this fund are paid for prisoner care provided by Sandoval County, the cost of which increased over the last year. A transfer from the General Fund of \$76,200 is required to subsidize increasing prisoner costs.

Law Enforcement Fund

Projected resources total \$479,787. Resources include a transfer from the General Fund of \$362,084 which will be used to purchase police vehicles, vehicle equipment, and reserve debt service for three annual loan payments for eight of the fourteen vehicles being purchased.

Fire Protection Fund

Revenues received from the state grant are pursuant to the Fire Protection Fund Law. The grant amount for FY13 is estimated to be \$651,128. Expenditures include fire station operating costs, fire apparatus and equipment, and a loan repayment.

Summer Lunch Program

The U.S. Department of Agriculture's Summer Food Service Program administered by the New Mexico Children Youth and Families provides free, nutritious meals and snacks to help children in low-income areas get the nutrition they need throughout the summer months when they are out of school. The FY13 summer lunch grant is estimated at \$138,425.

Federal Grant Fund

Several federal grants are budgeted for in this fund including:

- ODWI Grant (Operation DWI), \$78,400 for overtime for DWI blitz activities.
- STEP Grant (Selected Traffic Enforcement Program), \$90,000 for statewide

- training and minor equipment.
- SFST Grant (Standard Field Sobriety Test), \$270,000 for contract services for statewide training.

Environmental GRT Fund

This fund accounts for municipal gross receipts tax revenues to be used for the acquisition, construction, operation, and maintenance of solid waste facilities or water/sewer systems. The budget of \$643,085 is for special waste collection, loan payment, and water well repairs.

Municipal Road Fund

This fund is supported by budgeted State gasoline tax revenue, estimated at \$500,000 in FY13. The fund provides for road maintenance supplies and repairs.

City Facility Improvement\Replacement Fund

The available resources total \$83,545 and allows for funding of turf to be replaced at three parks with lower cost landscaping. Parks include Canyon, Havasu Falls, and Cabazon Parks.

<u>Impact Fee – Road Fund</u>

Based on 320 projected single-family starts in FY13 and anticipated commercial construction, total budgeted revenue is \$150,013. Impact fee revenue will be used as a match for federal funds for the design of improvements to Idalia Road.

<u>Impact Fee – Parks Fund</u>

Based on 320 projected single-family housing starts in FY13 and anticipated commercial construction starts, total budgeted revenue is \$40,395. Projects budgeted include improvements at Big Brother/Big Sister Park, Rainbow Park Observatory, and Cielo Grande Park.

Impact Fee – Public Safety

Based on 320 projected single-family housing starts in FY13 and anticipated commercial construction starts, total budgeted revenue is \$138,237. The funds will fund police vehicles.

Water and Wastewater Utility

The Water and Wastewater Utility provides service to approximately 32,000 customers. Revenue to fund operations is derived from the sale of water and wastewater services. A scheduled rate increase of 3.3 percent will help to offset increasing operation and capital costs. This increase is based on the Global Insight CPI estimate for water and wastewater maintenance. Looking ahead over the next five years, the current rate structure of the joint utility operation does not provide sufficient funding for routine capital requirements or expansion of the system. City staff members have been looking at ways to improve the financial solvency of the utility operation. As part of this work, Red Oak Consulting was retained to conduct a water and wastewater rate study. The results of this study will be presented to the Governing Body in the coming months when the work is finalized.

The City's water and wastewater utility is continuing to assist with the expansion and improvement of the Citywide GIS system. Support for economic development, improvements in

the quality of customer services provided and greater effectiveness in locating infrastructure for repair and maintenance are some of the benefits from the improvements to the GIS system. Fiscal Year 2013 is the final year of the Utilities' SCADA (Supervisory Control and Data Acquisition) upgrade. The SCADA system is needed to monitor the Water and Wastewater System continuously to ensure accessibility and safety of the City's infrastructure. The Utility will again offer a rebate program to customers for the purchase of high efficiency toilets and washing machines. Higher efficiency toilets and washing machines use less water thus contributing to the Utilities' water conservation efforts.

REVENUES: \$35,368,327

Revenues in FY13 are derived from water and wastewater sales, interest income and impact fees. A 22.8 percent or \$10,469,176 decrease in the total revenues is anticipated due to the revenue projections discussed below:

- State appropriations and grants decreased \$11,887,075 because the total amount received in FY12 included grant awards from the Army Corps of Engineers for arsenic removal and the State of New Mexico for water and effluent infrastructure. Although the City has applied for several grants for FY13, we have not received notice of award.
- An increase of 3.7 percent or \$1,246,708 is anticipated in water and wastewater revenue as a result of increases in the Utilities customer base as well as in water and wastewater rates.
- Water and wastewater impact fees are projected to increase 19.8 percent or \$53,741.

PERSONAL SERVICES: \$1,803,670

MATERIALS & SERVICES: \$18,952,840

The Materials and Services budget decreased 2.6 percent or \$508,167 compared with FY12. This is primarily due to a decrease in the amount of electricity and chemicals used for arsenic removal. Additionally, FY12 includes a roll forward of expenditures incurred in the prior fiscal year but paid in FY12, while the proposed FY13 budget does not.

CAPITAL OUTLAY: \$4,101,159

Capital Outlay in the Utilities Fund contains items such as equipment and capital projects. A detailed list of equipment can be found in the Capital Outlay section of the budget document. Funding for capital projects is provided through a combination of Utilities operation revenues, impact fees, grants, loan/bond proceeds, and Environmental Gross Receipts Tax revenue.

• Conversion of the current water meter system from manual reading to electronic reading and new meter installations (\$1,008,000) are budgeted in the Operations & Maintenance Fund. At the end of FY13 the City will have replaced 58 percent of the City's meters.

- Repair/rebuild of the Clarifier, Headworks, UV system, Grit Channel and Belt Press at Wastewater Treatment Plant #2 (WWTP #2) is funded in the operations fund (\$400,000). WWTP#2 treats 70 percent of the City's wastewater.
- Funds to purchase water rights (\$1,010,952) are provided in the Water Rights Fund. To satisfy the Office of the State Engineer permit requirements, the City must acquire 728 acre feet of water rights over a five-year period.
- Equipment to upgrade the SCADA system is funded in the Water Capital Fund (\$140,000) and the Wastewater Capital Fund (\$19,000). The SCADA system ensures that the water and wastewater system is continuously monitored to ensure that operations are working efficiently.
- The Environmental Gross Receipts Tax (\$91,343) and Water Capital Fund (\$300,000) provide funding for the rehabilitation and repair of the City's wells. Annual repair and maintenance for the City's wells is essential to maintain the delivery of water to the City's Utilities customers.

UTILITY FUND ENDING FUND BALANCE:

The combined Utilities Fund unreserved ending fund balance is \$6,762,268. Based on the estimated revenues, expenditures, and ending fund balance in FY13, the Utility meets the required debt service coverage ratio of 1.15 times for parity bonds. In FY13, the debt coverage ratio for parity bonds is projected to be 1.34 times and the debt coverage for bonds and loans is 1.13 times.

Conclusion

In summary, the Fiscal Year 2013 Budget funds core operating activities, allocates funding to some critical capital needs, and sends a message to employees that they are valued. The last few years have been some of the most fiscally challenging this City has seen and left many areas in need of attention. I look forward to working with the Governing Body to continue to strategically allocate our resources in ways that are consistent with the City's Adopted Strategic Plan. Many thanks go to all City employees for the valued services they provide our residents.

Sincerely,

James Babin

Acting City Manager

Jamb 300

City of Rio Rancho Governing Body



From the left to right: District 1 Councilor Chuck Wilkins, District 2 Councilor Patricia A. Thomas, District 3 Councilor Tamara L. Gutierrez, Mayor Thomas E. Swisstack, District 4 Councilor Mark Scott, District 5 Councilor Timothy C. Crum, and District 6 Councilor Lonnie Clayton.